

Avigail: Hi, I'm Avigail Oren.

Lisa: And I am Lisa Hernandez.

Avigail: And we are your hosts for Scholar Strategy Network's No Jargon. Every other week, we will discuss an American policy problem with one of the nation's top researchers without jargon. So we wanna welcome everyone back to No Jargon because you may have noticed that we missed an episode last month. Let's just call it our summer vacation special.

Lisa: Yes. If you are a No-Jargon head, then you noticed we skipped one episode, but you know, even podcasts deserve a little summer break every now and then.

Avigail: Yeah, so the good news is we are back right on time for the start of the new school year, and today we are diving into a topic that's quite relevant and hitting students especially hard this fall. We're talking about borrowing for college.

Lisa: Yes, there have been major changes for those who have borrowed any money from the federal government. There's new loan rules, Pell grant shifts, you know, all of the things that are really hard to keep track of.

Avigail: Yes. And so luckily, we have an expert here to walk us through what's changing and what it means. And for this episode, I spoke to Monnica Chan, who's an assistant professor at the University of Massachusetts Boston in the College of Education and Human Development. And her research focuses on how students pay for college and how policies and programs like grants and loans affect students.

Here's our conversation.

Avigail: Professor Chan, welcome to No Jargon.

Monnica: Oh, well, thanks for the welcome.

Avigail: We are recording this in September. Students are just starting to settle into the new semester, and in the excitement of a new school year, it's pretty easy for students and families to overlook what's happening in Washington. But, this summer brought some major changes. So the GOP's federal budget bill reduces government spending in many areas that affect students. So to start,

when it comes to student loans, what are the most important changes that borrowers should know about?

Monnica: Well, I think there's gonna be a lot of changes coming up to student loan repayment plans, whether if someone is a current student or was a recent student with student loans, I think this is something to pay attention to. There's also new limits on the amount that students and families can borrow for their education through the federal government, particularly for graduate school. I think that's been in the news a lot. And so I think that's something to also to consider is just thinking about how much have, you know, you borrowed to date through federal student loan programs. How much do you think you might need to borrow this year? And thinking about, you know, in future years, do you think you would need to borrow again.

Avigail: So Professor Chan, where does federal student aid come from in the sense of like of legislation or government regulation? Can you tell me how the government organizes and thinks about the way that they loan students money?

Monnica: So the federal government has three branches, one of which is the legislative branch, which is Congress, and they pass laws. So, higher education is governed by the Higher Education Act, which, you know, was first passed in 1965. It's, it's reauthorized often. And it has different sections that outline different things. One of these sections, Title IV, has to do with federal student financial aid programs. This includes grants and loans.

And to the question of how is the federal government thinking about student loans? You know, I think historically the idea was that there are some students who do not have enough funds upfront to pay for college. And so the student loan program was started, I believe, by President Johnson to try to increase access to higher education, which I think is important, particularly in today's economy. But that's sort of, I would say, how the federal student loan program started, and I think it still plays a very important role in college access, particularly when we think about how expensive college has gotten.

So if I were to think about kind of like the bottom line principle of why should the federal government offer student loans to students, it's because . . . lots of reasons. I mean, higher education is often, a degree is needed now for a well-paying job. There's a really high economic return to earning a degree. And post-secondary education is also associated with lots of benefits in terms of health outcomes, in terms of civic participation. And so it's in the government's interest to try to increase populations, in this case, the United States, to increase the educational attainment rates of adults. It's good for the economy, it's good for

our society. And so loans sort of fit within that broader goal of how we can educate our society.

Avigail: I think that's really helpful context for us in understanding. Now, let's move to a little bit more of the nitty-gritty, which is like, what is FAFSA? I remember filling out something called FAFSA 20 years ago when I was getting ready to go to college. But there are some changes coming up to this FAFSA. And so before we talk about those, tell us what it is.

Monnica: So the FAFSA stands for the Free Application for Federal Student Aid. It's a form that students and sometimes their families fill out in order to determine eligibility for financial aid.

Avigail: And so in October they'll be releasing the 2026/2027 FAFSA. And there are some big changes that are coming to the Pell Grant program, which is like the need-based grant that helps many undergraduates pay for college. So what is changing, and what impact will these shifts have on students?

Monnica: So, you know, there's some changes in eligibility rules around what sorts of incomes and assets would be counted, and what wouldn't be counted. There's also a clearer cap on eligibility in terms of who would now pass out of being eligible for a Pell Grant. There has always been an eligibility cap on the Pell Grant. That was based on what was formerly the expected family contribution and is now the Student Aid Index, which is the number that's calculated from all of the information that a student or their family inputs on the FAFSA to sort of think about, okay, how much might a family be able to pay towards their college education.

And, all of that is sort of taken into account to determine whether a student is eligible for a Pell grant and how much they are eligible for. And from the historical data that I've seen, a really large number of students benefit from the Pell Grant. We're not talking about a very small part of the population. We're talking about a significant share of college students.

Avigail: When we're thinking about, you know, the number of people affected, I'm sure it can be really confusing when these rules keep changing. From your research or the conversations that you've had with borrowers or, you know, the beneficiaries of these programs, can you share a story that illustrates how that uncertainty plays out in students' or borrowers' lives?

Monnica: Sure. I think one story that comes to mind, sort of like an amalgamation of different students that I've spoken to through different research

projects is that, you know, the uncertainty around whether or not they can afford additional education. Say like, should I go back to school for a master's degree? When there's uncertainty in whether or not they can finance that right? Then they're going to put those dreams on hold. I think a lot about Langston Hughes Dreams Deferred poem here. And I think that that uncertainty that, you know, I've heard personally from, you know, individuals, study participants, is something that's echoed in a lot of other research, echoed in sort of daily conversations with neighbors.

I think that's sort of the biggest challenge ahead, that when people aren't sure if they can afford something right, then they might be less willing to invest. We've made a lot of gains in college access in this country over the last two decades. And we've started to be able to focus on college success in the policy community. And I think uncertainty around access sort of puts us back to that time when we're not sure actually if students will decide to pursue additional education, potentially at their own individual peril, when we think about just the economic returns and non-economic returns to a college education.

Avigail: And in your research, have you seen particular patterns in the way that borrowing and repaying loans shapes borrowers' lives, things like career choices, their financial stability, family decisions?

Monnica: I think having to repay loans does impact the way borrowers are thinking about their life, right? Can I buy a house now? Can I buy a car now? Can I afford the rent on this apartment, or do I need to live with roommates? All of these decisions I think are intertwined with, you know, oh, can I find a job that's gonna pay me enough to pay all of these bills? That's sort of in the short term and sort of a just-in-time way.

I think the other way that loan repayment can impact folks' lives is life is unpredictable. And sometimes things happen where, you know, you need to use the safety net that you've set aside, or you need to kind of make changes to the budgeting plan that you had set out for yourself that included loan repayment. And I think when loan repayment makes up a big share of the budget, that changes how we respond and think about. Emergencies, changes in health status, the needs of other family members or dependents. And so I sort of think about loan repayment and the burdens of loan repayment as being something that can add. To the pressures that people are facing. It might not by itself cause pressure, right? But it can certainly increase the pressure and stress that we might be feeling in an already stressful time.

Avigail: So, canceling debt, like the federal government's cancellation of debt, has been proposed as one possible solution for lessening this pressure you just described. But are there other interventions that you've come across in your research or through your work that can reduce these pressures for borrowers?

Monnica: I think some of the new provisions in the loan repayment plans, you know, are there things that we could talk about that might have been done differently? Of course, but I think the idea that there might be like a principal subsidy to help make sure that borrowers are able to pay down their principal rather than just continuing to make payments that don't pay down their principal. I think that is promising. I'll be curious to see how that goes. Same with some of the provisions around interest payments.

You know, some of the other things that I've seen, here's always employer plans, right? A while back, some states were doing some incentives to try to get folks to move, you know, who held degrees in certain industries and then they would help them repay their loans. I think those things are always helpful, certainly for the borrowers that we've spoken with in some of our studies. Those are things that they were looking for, on like sort of the checklist of things that they were hoping an employer might offer. I also think they're pretty rare.

I would like to say that there's a magic bullet out there. But I think fundamentally we're talking about a structural problem and how we've chosen to finance higher education in this country that relies on individuals going into debt. When I think about that problem, I think about the fact that, you know, any sort of pilot program just won't change the fundamental structure that we've sort of set out for ourselves. It can only be a band-aid. So they're good. And we shouldn't forget about, you know, trying to make small gains in these areas. And I think we have to make sure that we're maintaining focus on the ways the structures of our current higher education system function to I think limit the opportunities for certain individuals in this country, and so can play a role in sort of solidifying economic inequality.

Avigail: Considering that the current structures won't be changing in the near term, are there ways that we can educate or reassure borrowers that help them make decisions about their lives in ways that sort of make their education feel like more of a benefit than a burden?

Monnica: I think there's a lot of resources out there. I've been working with uAspire, which is a local nonprofit organization, and we piloted a student loan repayment curriculum over this past year. It now needs to be updated given everything that happened this past summer. But I would say pay attention to

organizations like uAspire and organizations that are really focused on student advising because they'll have resources. I think student financial aid offices have resources. I think organizations like MEFA in Massachusetts has resources on loan repayment, and I think all of those things are really helpful in terms of navigating a really complex system for a very individual situation. There's still gonna be a lot of options out there for loan repayment, and they're gonna vary in terms of their impact, like an individual's budget. And so I think staying on top of what all of those options are through social media.

There's a lot of nonprofits out there. TISLA (The Institute of Student Loan Advisors) I think is a really good one for folks who are looking for advice on student loan repayment plans and which one to enter. I think paying attention to that would be really helpful. And I think from a student perspective, right, if someone is entering college, I think thinking a lot about how much am I borrowing for this degree and what are my expected outcomes. I think there's a lot more data out there now, thanks to a lot of the data systems that have been put into place around, you know, what is the median earnings for this particular degree? There are some bachelor's degrees where the median earning is lower than, you know, certain associate degrees

And I think as an individual, right? Those differences might matter depending on how much you need to borrow for your education. It's, you know, obviously not, and I think, again, it's like putting more burdens on an individual, which I wish were not the case. But I think that could be like another way to kind of think about, or what's sort of the advice and what sort of resources and knowledge could be out there to help people make more informed decisions.

Avigail: That sounds so great. I mean, yeah. Again, if we can't revolutionize the system at the moment, at least people should be able to have the information and advice they need to navigate the complexities of a really huge financial and long-term financial decision. I wanna return back to something we were talking about earlier, which is college accessibility. And I wanted to ask you about you know, race and ethnicity, which are, you know, talk about structures like are two elements that really affect the structural makeup of our society and economy. And so are there any patterns that you're seeing today in borrowing by race and ethnicity that might surprise people or that are just really notable?

Monnica: I think some folks might find this surprising and some folks might not. Student loan debt is gonna be higher for individuals who are coming from backgrounds with fewer financial resources. And in the United States, wealth is racialized. So there's been quite a bit of evidence for quite a long time now that the black/white wealth gap that we've seen is echoed in student loan borrowing

not only in average amounts, but also when we think about repayment rates. I think it's important to name that because so often student loan borrowing and repayment is made out to be an individual choice where people are choosing to borrow. And so maybe they're choosing to repay in smaller amounts or more slowly. And I think that that's a very dangerous narrative because it presumes that everybody has the same ability to pay for their education and to repay.

In our interview study that we did with recent college graduates, nobody said that they didn't want to repay or that they wanted to hold their student loan debt forever and watch it grow. I want to emphasize that because I think it's important to look at differences in loan amounts, in repayment rates, in default rates, along racial lines, and to question and to point out that these patterns are systematic and that they reflect differences in wealth, which are generated through larger processes than an individual's desire or ability to save, right? Labor market discrimination is gonna mean that some folks have lower incomes and earnings than others. We know about redlining and housing disparities and all these things that make it harder for some populations to accumulate wealth at a similar rate as others, and that's just also being reflected in student loans.

Avigail: I want to then tie this back to the question we started with, which was about the federal budget bill and the reduction in government spending around student loans, and what does this mean for communities with large wealth disparities and upward mobility generally?

Monnica: I think it's gonna change who goes to graduate school, right? Who's going to become a doctor? Who's going to become a lawyer? Those graduate degrees cost a very large amount of money and if a student has already borrowed up to the lifetime cap from federal student loans, they could turn to private loans, which may require a co-signer, may have interest rates that are more similar to those of credit cards. We're talking about like 24% interest rates, 30%, like it's very high. And I think for some folks, right, that's gonna be enough to say, okay, maybe I'm not gonna get this degree then. That's important to think about when we think about healthcare shortages in this country when we think about who's more interested or who could best serve communities.

I will also say too, that there are implications not just for individual communities, there's implications for states. So the new Pell Grant rules changes where if a student is able to have their cost of attendance met through non-Title IV grant aid. So things like state financial aid programs, they wouldn't earn the Pell Grant money. I'm a little bit confused about what that means because there are many states out there now that talk about free college. Some of those are, you know, just tuition and fees. Some of those might be cost of

attendance, but if those programs rely on the Pell Grant and are meant to complement the Pell Grant, this new rule could potentially change that, which could put a burden on state budgets.

And I think state budgets will already be quite burdened as a result of many other provisions in this budget bill. And so then again, it just kind of brings up this question about, unfortunately or not, right? There's only so many dollars available, and I think folks will have to make tough decisions ahead about where these other dollars go.

Avigail: Well this is really interesting 'cause I feel like this is the first time I'm really hearing about post-graduate implications of student loan borrowing and debt. And yeah. Wow. It really does sort of shine a light on the root of a lot of our economic problems, like healthcare shortages, for example, healthcare provider shortages. You've spoken to this a little bit in your discussion of structural problems and structural changes. But if you can make one change to the financial aid or repayment system that would have the biggest positive impact, what would it be?

Monnica: Anything?

Avigail: Yeah, okay. Anything would be better.

Monnica: Maybe this is dating myself and I'm, you know, I don't wanna be one of those people where, oh, like, I wanna go back to the days when candy was 5 cents. But I would really like to go back. I would really like to go back to a time when college was more affordable. Does that mean that, you know, we need to increase the Pell Grant and change the funding source permanently? Maybe. I think there just needs to be more money in the student financial aid system. I realize that that's a hard ask given the many other kind of budgetary considerations we're facing as a country. But I think from a college accessibility, you know, student success lens, we know that students respond to the price of college. When you lower college price, more students enroll, and if you lower prices through grants, right, we can increase graduation rates. I think, we can't forget that. And so I would say if I could pick anything, I would probably pick that.

Avigail: I love it. I wanna sort of conclude our conversation by talking about this experience you had back in May when you were one of nine SSN scholars who spoke at the Department of Education's public hearing on negotiated rulemaking. Tell me what was that experience like and what was the message that you really wanted to deliver?

Monnica: It's funny, so many things have happened since May. For me, I think it was a little nerve-racking. That was my first negotiated rulemaking session. It's the first time I've spoken to a group of folks from the government via Zoom. In a past life, I used to work with state policy makers and so, you know, you got to meet them in person, and there's just something different about seeing folks in person versus being in a long line of folks on Zoom. But overall, you know, I'm hoping that all of the work that SSN did to organize us and everything, that it made a difference.

That particular negotiated rulemaking was thinking about public service loan forgiveness and income-driven repayment plans. Both of those programs, I think, have had challenges with getting folks enrolled, with having people understand if they were eligible or not, right? The administrative burden of these programs is very high. I think the message right is that it's important to have programs and options for borrowers. And it's important to have those options be accessible. You don't want to put in so many barriers that less than 10% of people who apply are able to successfully enroll.

Avigail: Yeah. Absolutely. The last question I have is for listeners who might be encountering this debate for the first time, what should they be paying closer attention to as this school year unfolds?

Monnica: There's two more negotiated rulemaking sessions coming up this winter. One will be on student loans and one will be on accountability measures for higher education as well as for workforce Pell Grants. So whether the Pell Grant going to more short-term programs. If a listener is thinking about student financial aid for a student in their lives or for themselves, I think paying attention to those rules will be really important. Same with if the listeners thinking about entering into repayment and thinking about different student loan plans, I think they should be paying attention to that because there's gonna be information coming out about, you know how they might have to change whatever repayment plan they're in or whatever repayment plan they're trying to get in right now.

If somebody is not thinking about those very specific kind of individual actions, I think it's important to pay attention to who we are trying to benefit with these changes in policy. Because I think it's important for all of us to think about how the federal government's recent actions over the last year have fundamentally changed the role that the government is playing in this country. I think just all of us, you know, assuming this is like a US domestic audience, right? That we should, I think we need to pay attention, and I think we need to note for

ourselves what we agree and what we disagree with, because that will help us be more informed going into the midterms.

Avigail: Well, Professor Chan, thank you so much for joining us on No Jargon.

Monnica: Thanks for the time.

Avigail: And thanks for listening. For more on Professor Chan's work, check out our show notes at scholars.org/no-jargon. No Jargon is the podcast of the Scholar Strategy Network, a nationwide organization that connects journalists, policymakers, and civic leaders with America's top researchers to improve policy and strengthen democracy. The producers of our show are Wendy Chow and Dominic Doemer. Our audio engineer is Peter Linnane. If you like the show, please subscribe and rate us on Apple Podcasts or wherever you get your shows. You can give us feedback on X, formerly known as Twitter @NoJargonPodcast, or at our email address, NoJargon@scholars.org.